



Arizona State Retirement System

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News Release

Contribution Rates to be lowered; PBI to remain unchanged

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Due to strong investment performance in recent years, the Arizona State Retirement System will implement a slight decrease in contribution rates for the first time in five years. The new contribution rate for the defined benefit plan, health insurance benefit and long term disability plan for both the member and employer will be 9.45 percent for the 2008-09 fiscal year, down from the current rate of 9.6 percent. The new rate is effective July 1, 2008.

The new, lower rate was announced at the November meeting of the ASRS Board of Trustees, which accepted actuarial reports on the ASRS pension plan, long term disability program and system plan. The ASRS relies upon actuarial projections to determine contribution rates and other forecasts for the various benefit plans.

"This is certainly good news for our members and employers," ASRS Director Paul Matson said. "Our projections for a downward trend for contribution rates is ahead of schedule. We are several years ahead in our projections of being able to moderately reduce contribution rates."

Although the ASRS Fund has somewhat rebounded, there still remained no funds to provide any additional Permanent Benefit Increase to retired members this year.

"We are closing the gap and hope to be in a position to provide for a PBI in coming years," Mr. Matson added.

Funds for the Permanent Benefit Increase program are generated by excess earnings on the overall ASRS fund. Using this method to provide additions to members' pension benefits protects the trust fund by not reducing assets due to down markets, which would otherwise cause upward pressure on contribution rates.

Although investment rates of return were solid during the first half of 2007, they have remained flat over the past two quarters. From 2000 to 2003, investment returns fell below the needed 8-percent return, and those returns are still being factored into the formula that funds the PBI pool. As a result, there remains no excess earnings to allow for an increase to the PBI this year.

Retirees who have received permanent benefit increases in the past will continue to see those applied to their monthly benefit.

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